

PUBLIC DISCLOSURE

APRIL 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MEDWAY CO-OPERATIVE BANK

**70 MAIN STREET
MEDWAY, MASSACHUSETTS 02053**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of MEDWAY CO-OPERATIVE BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

Medway Co-operative Bank's rating of satisfactory is based upon its performance under five criteria. The bank's average net loan-to-deposit ratio for the period of March 2000 through December 2001 is determined to be 90.2 percent and exceeds the standards for satisfactory performance at this time.

Lending within the assessment area is also considered good and meets the standards for satisfactory performance. During 2000 and 2001, the bank granted a total of 211 mortgage loans, of which 170 or 80.6% were located within its assessment area.

An analysis of the bank's lending activity by borrower income revealed that 5.9 percent and 14.1 percent of all loans were granted to low and moderate-income borrowers respectively. The bank was found to meet the standards for satisfactory performance under this criterion.

Lending activity by census tract revealed that 4.2% of all residential originations were for properties located in the assessment area's moderate-income census tracts. The bank was found to meet the standards for satisfactory performance under this criterion.

Medway Co-operative Bank's Fair Lending performance was also considered to be satisfactory.

PERFORMANCE CONTEXT

Description of Institution

Medway Co-operative Bank is a mutually owned, state-chartered institution headquartered in Medway, Massachusetts. Its sole office is located at 70 Main Street in Medway, Massachusetts.

Office hours and drive-up teller hours are Monday, Tuesday and Wednesday, 8:30 a.m. to 4:00 p.m., Thursdays 8:30 a.m. to 7:00 p.m., Fridays, 8:30 a.m. to 5:00 p.m., and 9:00 a.m. to 1:00 p.m. on Saturdays. The bank maintains an Automatic Teller Machine (ATM) at the bank's office, and a walk-up ATM located at 165 Village Street in Medway. These ATMs are connected to the SUM network, an ATM surcharge-free alliance. The bank has also established a 24-hour on-line banking service called "Click 24" that features bill payment.

As of December 31, 2001, the institution had total assets of \$93.2 million with total loans of \$78.3 million or 84.0 percent of total assets. The bank has experienced asset growth of \$20 million since the prior examination. This growth is attributed to the high volume of refinancings which occurred during the year 2001. The bank is predominantly a residential mortgage lender with 78.8 percent of its loans in residential real estate.

The table below depicts the composition of the bank's loan portfolio based on the FFIEC Call Report of Condition.

LOAN PORTFOLIO as of 12/31/01		
Loan Type	Dollar Amount (000)	% of Total Loans
Residential Real Estate	62,217	78.8
Construction	6,237	7.9
Equity	3,959	5.0
Multifamily	133	0.2
Commercial	5,529	7.0
All Other	905	1.1
Total	79,075	100%

Source: 12/31/01 Call Report

The bank offers a first-time homebuyer mortgage product with flexible lending terms. Program criteria include a maximum annual income of less than 80% of the median family income with a minimum down payment of 3%, provided the applicant is approved for private mortgage insurance. The bank is also an approved lender for the Farmer's Home Administrative Guaranteed Rural Housing Loan Program, which is designed for low and moderate income families who are first time homebuyers. This program allows for 5 percent down payment and flexible underwriting criteria.

There appear to be no significant financial or legal impediments which would limit the bank's ability to help meet the credit needs of its assessment area.

Medway Cooperative Bank has direct competition within the immediate area from several institutions including Dean Co-operative Bank, Benjamin Franklin Savings Bank and Strata Bank.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation on May 12, 1999. That examination resulted in a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which the bank will focus its lending efforts. The Division of Banks evaluates the institution's CRA performance based on the defined assessment area. Generally, assessment area(s) are expected to consist of Metropolitan Statistical Areas (MSAs) or contiguous political subdivisions such as counties, cities and towns.

For purposes of this examination, Medway Co-operative Bank's assessment area is defined as the towns of Medway, Bellingham, Franklin, Millis and Norfolk, all of which are located in Norfolk County; the Town of Holliston located in Middlesex County, and the Town of Milford located in Worcester County. This delineation places the bank's assessment area within the Boston Metropolitan Statistical Area (MSA).

Demographic Data

According to 1990 Census Data, Medway Co-operative Bank's assessment area has a total population of 102,074. The assessment area consists of 19 census tracts: 1 or 5.3 percent is designated as low income, 3 or 15.8 percent as moderate income, 8 or 42.0 percent as middle income, 6 or 31.6 percent as upper income, and 1 or 5.3 percent has no income designation (N/A). The low -income census tract represents the State Mental Hospital in Wrentham, Massachusetts.

The 1990 census data on housing within the bank's assessment area indicates that the assessment area is composed primarily of 1-4 family dwellings, representing 87 percent of total housing units. The assessment area has a relatively high owner-occupancy rate of 73 percent. The median home value for owner-occupied properties is \$168,816 and the majority of structures were built before 1963.

According to the Warren Group /Bankers and Tradesman publication, the median selling price for real estate in Medway was \$292,950 as of March 2002. A review of real estate sales reported by Bankers and Tradesman indicates that there are similar median selling prices in the other communities in the bank's assessment area.

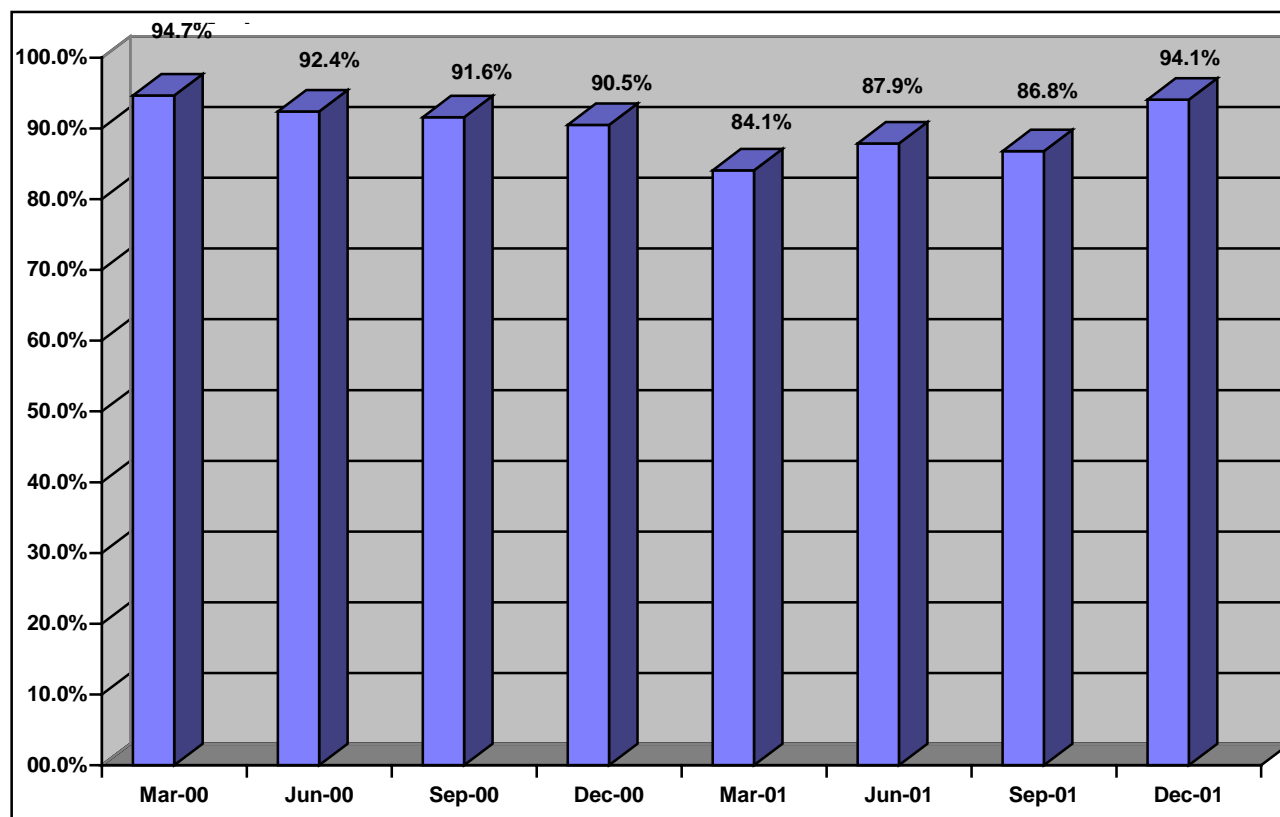
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Medway Co-operative Bank's net loan to deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's total loan to total deposit figures utilizing the FFIEC quarterly call reports. This review includes the years 2000 and 2001.

The institution's average net loan to deposit ratio during this period was determined to be 90.2 percent which is excellent given the bank's asset size, resources, competition, lending strategy and the credit needs of its assessment area.

The following graph illustrates the loan to deposit trends.



As indicated in the above graph, the ratios have remained relatively high, however there was a decrease from March 2000 through March 2001 when the ratio fell from 94.7 percent to 84.1 percent. This decrease is attributable to deposit growth outpacing lending activity. However, the ratio increased to 94.1 percent in year 2001, due to the large volume of refinancing and loan purchases (25.0 %) which occurred that year.

An analysis utilizing FFIEC Call Report data, compared Medway Co-operative Bank's net loan-to-deposit ratio for December 31, 2001 to that of comparable institutions of similar asset size. This report revealed that the bank's loan to deposit ratio of 94.1 percent was higher than these other institutions. Refer to the table below.

Name	Asset Size (000)	Loan to Deposit Ratio(%)
Medway Co-operative Bank	\$93,259	94.1
Pilgrim Co-operative Bank	\$103,035	73.3
Wellesley Co-operative Bank	\$101,925	85.6

Source FFIEC Call Report Data, 12/31/01

Based on the above information and Medway Co-operative Bank's capacity to lend, the capacity of other similarly situated institutions to lend in the assessment area, and demographic and economic factors, Medway Co-operative Bank's loan to deposit ratio exceeds the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Data regarding the bank's residential mortgage lending activity for 2000 and 2001 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The bank originated 211 HMDA-reportable loans during the examination period. A total of 170 loans or 80.6 percent were originated within the bank's assessment area. The Town of Medway represented the largest number of residential loan originations with 98 or 46.4 percent, followed by Franklin with 20 loans or 9.5 percent. The Town of Bellingham accounted for 19 originations or 9.0 percent. Refer to the following table.

<i>Distribution of HMDA Loans Inside and Outside of the Assessment Area</i>										
<i>Year</i>	<i>Number of Loans</i>					<i>Dollars in Loans (000s)</i>				
	<i>Inside</i>		<i>Outside</i>		<i>Total</i>	<i>Inside</i>		<i>Outside</i>		<i>Total</i>
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>		<i>\$</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>\$</i>
<i>2000</i>	37	74.0	13	26.0	50	5,838	74.8	1,959	25.2	7,797
<i>2001</i>	133	82.5	28	17.5	161	21,451	82.2	4,564	78.8	26,015
<i>total</i>	170	80.6	41	19.4	211	27,289	80.7	6,523	19.3	33,812

Source: HMDA LAR

According to market share data for all HMDA-reporting lenders within the assessment area, the bank was ranked 40th out of a total of 322 lenders; however, the bank ranked 4th among locally based financial institutions. Taking into consideration the size of the bank and the opportunities for lending within the bank's assessment area, the percentage of lending within the bank's assessment area is good. Therefore, the bank meets the standards for satisfactory performance for this criterion.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

An analysis of the bank's HMDA-reportable lending to borrowers of different incomes was conducted. Originations were categorized by the ratio of the applicant's reported income to the 2000 and 2001 estimated median family incomes of the Boston Metropolitan Statistical Areas (MSAs). The median family income for the Boston MSA was \$65,500 for 2000 and \$70,000 for 2001. Income figures were based on estimated 2000 and 2001 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income. Middle income is defined as income between 80 and 119 percent of the median family income. Upper income is defined as income greater than 120 percent of the median family income.

Of the total mortgage loans originated by the bank, 10 or 5.9 percent were granted to low-income borrowers and 24 or 14.1 percent were granted to moderate-income borrowers. Refer to the following table.

Distribution of HMDA Loans by Borrower Income									
Median Family Income Level	% Total Households	Aggregate Lending Data 2000		2000		2001		Total	
		#	%	#	%	#	%	#	%
Low	16.3	217	4.2	1	2.8	9	6.8	10	5.9
Moderate	13.2	719	13.9	5	13.5	19	14.3	24	14.1
Middle	19.5	1,263	24.4	14	37.8	37	27.8	51	30.0
Upper	51.0	1,967	37.9	17	45.9	65	48.8	82	48.2
NA	-	1,018	19.6	0	0.0	3	2.3	3	1.8
Total	100	5,184	100	37	100	133	100	170	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Data obtained from PCI Services, CRA WIZ software was reviewed to compare Medway Co-operative Bank's performance to that of other financial institutions granting loans within the assessment area during 2000 (the most recent information available). This information indicated that Medway Co-operative Bank's performance was mixed in granting loans to low and moderate income borrowers. In 2002 aggregate lenders made 4.2 percent of their

loans to low-income borrowers. By comparison, Medway Co-operative Bank made 2.8 percent of its loans to low-income borrowers. The aggregate made 13.9 percent of its loans to moderate-income borrowers while Medway Co-operative Bank made 13.5 percent to that income category, roughly the same amount.

The bank has shown a willingness to lend to all applicants including those of low- and moderate-income. Given the demographics of the assessment area and the above information, the distribution of credit reflects a good dispersion among individuals of different income levels. Therefore, the bank meets the standards for satisfactory performance for this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Lending activity within the assessment area was reviewed in order to determine the extent to which the bank has been able to meet the credit needs of the assessment area.

The assessment area is comprised of 19 census tracts but for the purpose of analysis, only 18 census tracts were considered including 1 low-income, 3 moderate-income, 8 middle income and 6 upper income census tracts.

For the current examination period, of the total mortgage loans originated by the bank, 7 or 4.2 percent were for properties located in census tracts designated as moderate-income. Refer to the following table.

Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% Owner-Occupied Housing Units	Aggregate Lending Data 2000		2000		2001		Total	
		#	%	#	%	#	%	#	%
Moderate	10.5	464	9.0	2	5.4	5	3.8	7	4.2
Middle	56.7	3,162	61.0	22	59.5	67	50.4	89	52.3
Upper	32.8	1,558	30.0	13	35.1	61	45.8	74	43.5
Total	100	5,184	100	37	100	133	100	170	100

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

According to the above table, Medway Co-operative Bank's performance fell below the aggregate in lending in moderate-income census tracts. In 2000, the bank made 5.4 percent of its loans in moderate-income census tracts compared to 9 percent by the aggregate. The bank's performance in lending in moderate-income census tracts has decreased since that time to 3.8 percent in 2001. The bank's lending activity is concentrated in middle and upper-income census tracts which comprise the bulk of its assessment area and in which most of the owner-occupied housing is located.

Medway Co-operative Bank maintains only one office, thus it does not have a presence in the other communities that make up its assessment area. Given this lack of exposure, the bank's penetration of census tracts within its assessment area is reasonable and meets the standards for satisfactory performance.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Review of Complaints

The bank has not received any complaints related to its CRA performance since the last examination.

Fair Lending Policies and Practices

The bank has included a Fair Lending Statement as part of its Lending Policy. The following compares the bank's activities to the guidelines set forth in the Division of Banks Regulatory Bulletin 2.3 – 101, the Fair Lending Guidelines.

The bank's marketing activity includes lobby brochures and statement stuffers. It regularly advertises its products and services in the local newspapers including, The Milford Daily News, Middlesex News, and Country Gazette.

The bank sponsored a First Time Home Buyer Seminar in March 2002. Guest speakers included a realtor, building inspector, mortgage insurance representative and an attorney. Attendees were offered pre-approval applications.

The bank has established a second review policy under which the credit committee completes a second review of denied loans.

The bank's President is a member of the Board of Directors of the Martin Luther King, Jr. Small Business Empowerment Center, a non-profit organization that promotes small business development in Central Massachusetts. Also, the President is a Director of the Business Inclusion Council, which supports women, and minority owned small businesses in Central Massachusetts.

The bank has been involved in the "Woodside Condominium" project located in Medway where 14 units were made available to borrowers whose incomes did not exceed 80% of median income. These units were awarded through a lottery process and two buyers received financing from the bank.

Minority Application Flow

A review of HMDA-reportable loan applications was conducted in order to determine the number of applications the bank received from minorities. During 2000 and 2001, the bank received 197 HMDA-reportable applications from within its assessment area. During 2000, the bank received one application from a minority applicant, which was originated. There were no minority applications were received in 2001.

The minority application flow is not adequate when compared to the racial composition of the bank's assessment area. According to the 1990 census data, 4.2% of the assessment areas population are minorities and the bank received only 0.5 percent of its applications from minorities. A comparison to the aggregate data for 2000, revealed that all other HMDA-reporting lenders received and originated 4.3 percent of their applications from minorities.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

MEDWAY CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 16, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.